

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00

PA-01 SP-02 SS-15 AID-05 EB-08 TRSE-00 STR-07

OMB-01 CEA-01 COME-00 LAB-04 SIL-01 /090 W

-----119639 241404Z /53

O R 241246Z MAR 78

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC IMMEDIATE 8635

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

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AMEMBASSY WARSAW

AMCONSUL MUNICH

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E.O. 11652: N/A

TAGS: EALR, ECON, ALAB, PINT, RO

SUBJECT: GOR ECONOMIC/MANAGEMENT REFORMS

REF: (A) BUCHAREST 1483, (B) BUCHAREST 1625

1. SUMMARY: CENTRAL COMMITTEE PLANUM (CCP) HELD MARCH 22-23 DISCUSSED AND ADOPTED MEASURES RELATED TO IMPROVING ECONOMIC EFFICIENCY IN THE ROMANIAN ECONOMY. ALTHOUGH OFFICIAL PRESS ACCOUNTS DESCRIBED THESE MEASURES AS AIMED AT "STRENGTHENING" PRINCIPLES OF SELF-MANAGEMENT AND "ECONOMIC-FINANCIAL SELF-ADMINISTRATION" IN ENTERPRISE MANAGEMENT, FEW DETAILS WERE PUBLISHED.

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CONCRETE DECISIONS REPORTED WERE THAT (A) BASIC PLAN FULFILLMENT INDICATORS WOULD NOW BE PHYSICAL PRODUCTION AND VALUE OF NET PRODUCTION IN PLACE OF GROSS (GROSS VALUE) PRODUCTION AND (B) THAT INDIVIDUAL ECONOMIC UNITS WOULD BE ALLOWED TO USE PORTION OF THEIR OVERALL PROFITS, AS WELL AS NET EXPORT EARNINGS, TO PAY OUT AS BONUSES. CCP ALSO ANNOUNCED

THAT EACH ECONOMIC UNIT WILL SET UP FUND FINANCED VIA ITS OWN INCOME TO BUILD HOUSING AND COVER OTHER SOCIAL INVESTMENTS AND EXPENSES. IT IS LIKELY THAT MORE DETAILS WILL BE FORTHCOMING FROM REPORTS OF MARCH 24 GRAND NATIONAL ASSEMBLY (GNA) SESSION WHICH SHOULD APPROVE MEASURES ADOPTED BY CCP. END SUMMARY.

2. AS EXPECTED, CCP OF MARCH 22 DISCUSSED PLANS FOR ECONOMIC REFORM AS WERE ORIGINALLY ANNOUNCED BY PRESIDENT CEAUSESCU ON FEBRUARY 16 (SEER REFTELS A AND B). ACCORDING TO PRESS REPORT IN MARCH 24 SCINTEIA, CCP ADOPTED MEASURES THAT WILL INSURE ACHIEVEMENT OF NEW QUALITY IN ECONOMIC ACTIVITY THROUGH CONTINUAL PERFECTION OF ECONOMIC-FINANCIAL MECHANISM, STIMULATION OF ECONOMIC EFFICIENCY, AND REALIGNMENT OF INTERESTS OF WORKERS TO COINCIDE WITH NEED FOR SUPERIOR ECONOMIC RESULTS.

3. ALTHOUGH FEW DETAILS FOR MOST MEASURES ADOPTED WERE PROVIDED, THESE MEASURES WERE DESCRIBED AS FOLLOWS:

-. IMPROVEMENT OF PLANNING AND FINANCIAL ACTIVITY;

B. INCREASING ROLE AND RESPONSIBILITY OF ENTERPRISES IN LIMITED OFFICIAL USE

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PRISES AND CENTRALS IN PLANNING ACTIVITY;

C. STRENGTHENING WORKERS' SELF-MANAGEMENT;

D. ASSURING THAT NECESSARY FINANCIAL AND ECONOMIC LEVERS CORRESPOND TO OBJECTIVES OF ROMANIA'S DEVELOPMENT PLAN;

E. STRENGTHENING OF "ECONOMIC-FINANCIAL SELF-ADMINISTRATION" IN ENTERPRISES, WITH EACH ENTERPRISE PREPARING ITS OWN BUDGET; AND

F. IMPROVING ACTIVITY OF MINISTRIES AND ALL OTHER ORGANS IN SOLVING PROBLEMS OF PLANNING, FINANCE, PRICES, FOREIGN TRADE AND WORKER INCENTIVES. CCP ALSO ADOPTED SPECIFIC MEASURE TO INTRODUCE "VALUE OF NET PRODUCTION" AND "PHYSICAL PRODUCTION" AS BASIC INDICATION OF PLAN FULFILLMENT.

4. UNDER AGENDA TOPIC OF "MEASURES CONCERNING WORKER PARTICIPATION IN PROFITS," CCP ADOPTED DECISION TO SET UP FUND AT EACH ENTERPRISE THAT WILL BE BASED ON

ECONOMIC RESULTS OF THAT ENTERPRISE IN PRECEDING YEAR. THIS FUND WILL BE APPORTIONED OUT TO INDIVIDUAL IN FORM OF BONUS, SIZE OF WHICH WILL BE DETERMINED BY HIS CONTRIBUTION TO PLAN FULFILLMENT, CONTRIBUTION TO DEVELOPMENT OF HIS ENTERPRISE AND SENIORITY. ACTUAL SUM WILL BE FIXED BY WORKER'S COUNCIL. BONUSES WILL ALSO BE RECEIVED IN ACCORDANCE WITH ACHIEVEMENT AT EACH ENTERPRISE IN ECONOMY OF MATERIALS AND "ECONOMY OF WORK FORCE" (PRESUMEABLY PRODUCTIVITY). ADDITIONAL BONUSES WILL ALSO COME FROM ANY PROFITS REALIZED IN FULFILLMENT OR OVERFULFILLMENT OF EXPORT PLAN. EACH ENTERPRISE WILL ALSO HAVE SPECIAL FUND, FINANCED THROUGH ITS OWN INCOME, WHICH WILL BE USED FOR CONSTRUCTION LIMITED OFFICIAL USE

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OF HOUSING AND OTHER INVESTMENTS AND EXPENSES OF A "SOCIAL NATURE."

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5. COMMENT: IT IS LIKELY THAT MORE DETAILS OF MEASURES ADOPTED WILL BE FORTHCOMING FROM GNA SESSION HELD ON MARCH 24, AT WHICH TIME AN ANALYSIS OF THESE CHANGES MAY BE POSSIBLE. IT IS WORTH NOTING, HOWEVER, THAT RHETORIC USED TO DESCRIBE CCP MEASURES WAS NOT AT LEAST ON ONE KEY POINT AS INDICATIVE OF RADICAL CHANGES AS THAT USED BY CEAUSESCU IN FEB. 16. SPEECH (SEE REFTTEL A): CEAUSESCU'S TERM "SELF-FINANCING" WAS NEVER USED BY CCP, BUT WAS REPLACED BY "ECONOMIC-FINANCIAL SELF-ADMINISTRATION." AND IN CASE OF "SELF-MANAGEMENT," TERM WAS TYPICALLY PRECEDED BY QUALIFIERS SUCH AS "STRENGTHENING ROLE OF" OR "IMPROVING" IN CCP DECISIONS.
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6. IT WOULD BE UNREALISTIC TO PRESUME THAT GOR WOULD BE IN POSITION TO SPELL OUT IN GREAT DETAIL ITS PLANS FOR IMPLEMENTATION OF REFORMS ANNOUNCED BY PRESIDENT CCEAUSESCU SO VERY RECENTLY. THESE KINDS OF MATTERS SIMPLY TAKE MORE TIME TO WORK OUT. FURTHERMORE, CABINET SHAKEUP OF EARLY MARCH AFFECTING KEY ECONOMIC MINISTRIES, ALTHOUGH CLEARLY DESIGNED TO FACILITATE IMPLEMENTATION OF ECONOMIC REFORMS, WOULD NOT HAVE HAD IMMEDIATE EFFECT OF SPEEDING ORDERLY CONSIDERATION OF MODALITIES FOR IMPLEMENTATION. EMBASSY WILL CONTINUE TO ATTEMPT TO DEVELOP CLEARER IDEA OF REAL SIGNIFICANCE OF CEAUSESCU PROPOSAL SNOW BAPTIZED BY CCP.
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